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RESIDENTIAL UTILITY CONSUMER OFFICE

www.azruco.gov

1110 WEST WASHINGTON • SUITE 220 • PHOENIX, ARIZONA 85007 • PHONE: (602) 364-4835 • FAX: (602) 364-4846

Douglas A. Ducey
Governor

David P. Tenney
Director

Arizona Corporation Commission

DOCKETED

April 18, 2017

APR 18 2017

DOCKETED BY

Robert Burns, Commissioner
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL
2017 APR 18 A 8:43

Re: APS Rate Case, Docket Nos. E-01345A-16-0123; E-01345A-16-0036

Dear Commissioner Burns:

Thank you for your letter of April 11, 2017, regarding the above referenced matter. RUCO appreciates the opportunity to provide the information you requested and explain its position regarding the Settlement. Given the large number of questions, RUCO would like to make a few introductory remarks.

First, many of the questions seek responses that would fall under Rule 408 of the Arizona Rules of Evidence. Arizona's rule is patterned off the Federal Rule 408. While the Rule applies to evidence in an evidentiary context, its purpose is relevant here. First, settlement-related evidence is considered to be irrelevant because settlement offers may be motivated by a desire for peace, a desire to avoid costly legal battles, or for any number of reasons that have nothing to do with the merits of the claim. *McCormick on Evidence* § 76.251.

Second, and the most important, reason for excluding settlement-related evidence under Rule 408 is to promote the amicable resolution of lawsuits. See *Affiliated Mfrs., Inc. v. Aluminum Co. of Am., Inc.*, 56 F.3d 521, 526 (3d Cir. 1995) ("[T]he policy behind Rule 408 is to encourage freedom of discussion with regard to compromise.").

With the above in mind as it relates to all of the settling parties, RUCO will attempt to answer your questions as completely as possible, but will not go into detail that RUCO believes would violate Rule 408.

Second, where RUCO's settlement position on an issue is different than RUCO's position in its direct case on that issue, RUCO does not agree with the underlying premise that RUCO's settlement position is in "opposition" to RUCO's direct position. Nor, does RUCO agree that its direct position on that issue is flawed in any way. RUCO stands by its direct position. As with any settlement, there is compromise where RUCO would agree to positions it would otherwise oppose in exchange for a more favorable outcome somewhere else. In the end, the Settlement, when viewed in its totality, is beneficial to the ratepayer and in the public interest. RUCO still stands by its direct position, but in the interests of ratepayers, RUCO has settled on an outcome that it has influenced and it believes is better than would result if the matter was fully litigated

Finally, RUCO is a signatory to the Settlement and is bound by the terms of the Agreement. See paragraph 40.6 of the Settlement. RUCO believes that this is a positive outcome that is fair to all interests involved and will defend all its provisions. Where you have asked about modifications to the various provisions of the Agreement, RUCO would only consider supporting material modifications where all the signatories would agree.

Thank you for your consideration and RUCO answers as follows:

Section II calls for a rate case stay-out until June 1, 2019. That is less than 2 years from the requested date for new rates. The last rate case also had a stay-out provision and APS stayed out even longer than the requirement.

- Does RUCO truly believe that if this Settlement Agreement is approved with no modifications, that APS would be filing its next rate case prior to June 1, 2019, without the Section II provision? If yes, please explain why.

RUCO has no reason to believe one way or the other.

- Why should the Commission not require APS to refrain from filing its next rate case until no earlier than June 1, 2020, with a test year no earlier than December 31, 2019, with new rates from that rate case not becoming effective earlier than July 1, 2021?

RUCO suggests the Settlement Agreement remain as is. However, if all the other signatories agree to this modification, RUCO would consider the modification at that time.

RUCO's direct testimony recommended a net base rate decrease of \$24.6 million. The Settlement Agreement results in a net base rate increase of \$94.624 million (paragraph 3.1)

- Why did RUCO agree to a net base rate increase of over \$119.2 million greater than recommended in its direct testimony?

See Settlement testimony of David Tenney at 6-7.

- Does RUCO believe that its net base rate decrease recommendation contained in its direct testimony was flawed?

No.

Settlement Agreements are a result of give and take (see paragraph 40.1).

- What did RUCO receive in this Settlement Agreement for agreeing to a net base rate increase that is \$119.2 million greater than it recommended in its direct testimony that RUCO would not have received without this Settlement Agreement? Please explain in detail.

See Settlement testimony of David Tenney at 4-5, among other things.

Paragraph 3.4 requires APS to impute net revenue growth for any revenue producing plant included in post-test year plant.

- Did APS meet this requirement in this current rate case? If not, please explain in detail why not.

It did not and RUCO witness, Frank Radigan, recommended in his Direct testimony an adjustment to impute revenues to do so.

- Is this requirement not something that should be done just as common practice? If no, please explain in detail why not. If yes, please explain in detail why common practice (i.e., common sense) is something that should be stated as a requirement in this Settlement Agreement.

RUCO believes that if post-test year revenue producing plant is placed in rate base, credit for the revenues should also be included in the revenue requirement analysis and RUCO believes this should be common practice.

Paragraph 4.1 states that the average bill increase for residential customers will be 4.54%.

Please explain in detail how this average was obtained/calculated.

APS would be the better party to answer this question - see testimony of APS witness Chuck Meissner.

- What does this average increase mean in relation to customer usage, i.e., how does this relate to a customer that uses 800kWh per month equally throughout

the day as opposed to one that uses 800kWh but mostly between 3:00pm and 8:00pm?

APS would be the better party to answer this question - see testimony of APS witness Chuck Meissner.

Please provide a table of example residential bills based on different customer usage. This table should include usage amounts beginning at zero and ending with the maximum usage showing the bills at each 10% increment of the percentage of customer bills for the most widely used residential rate plans (for a total of 36 bills). This table should compare the bills under existing rates and those rates contemplated in the first year in the Settlement Agreement. Assume customers choose the new rate plan that is most like their existing rate plan.

APS would be the better party to answer this question - see APS' answer to this question.

Paragraph 4.2 states that \$15 million of DSMAC will be refunded during the first year of new rates. Please provide the same table requested above, with the same customers, but for year 2 (i.e., after DSMAC refund ends) of new rates contemplated by the Settlement Agreement.

APS would be the better party to answer this question - see APS' answer to this question.

Section V of the Settlement Agreement deals with Cost of Capital.

- Does RUCO believe that equity is higher cost than debt?

Yes

- Why is there nothing in this Settlement Agreement calling for APS to move to a capital structure that is closer to 50/50?

Because APS' capital structure of 55.8% common equity and 44.2% debt is fairly balanced, not mis-kewed, and falls within Commission precedent, the use of a hypothetical capital structure is not warranted.

- All other things remaining unchanged, what would the net base rate increase be in this Settlement Agreement if a hypothetical capital structure of 50/50 is used in this case?

RUCO supports the capital structure contained in the provisions of the Settlement for the reasons stated above and sees no reason to use a 50/50 capital structure. With that said, for hypothetical purposes, RUCO's brief

analysis shows a hypothetical 50/50 capital structure would result in a \$10 - \$20 million dollar rate base reduction.

Paragraph 5.2 establishes a return on equity ("ROE") of 10.0%. In its direct testimony, RUCO recommended an ROE of 9.42%.

- Why did RUCO agree to a higher ROE than it recommended in its direct testimony?

As a compromise – RUCO, in exchange, received other benefits such as those more fully set forth in the Settlement testimony of Mr. Tenney at 4-5.

- Does RUCO believe that the ROE recommended in its direct testimony was flawed?

No.

Paragraph 5.3 calls for a 0.8% return on the fair value increment.

- Does RUCO believe that the Commission is legally required to give APS a return (i.e., something greater than zero) on the fair value increment? If yes, please explain in detail.

No.

- Does RUCO believe that it would be illegal for the Commission to find that it considered the fair value increment and in doing so, that it agrees with *Staff* witness Purcell that the fair value increment is not investor supplied capital and therefore should be granted a zero return on the fair value increment? If yes, please explain in detail.

No.

- All other things remaining unchanged, what would the net base rate increase be in the Settlement Agreement if the return on the fair value increment is zero, 0.1%, 0.3%, 0.5% and 0.7%?

This question requires computations that RUCO is unable to make at this time. To answer this question accurately RUCO would need more time to engage its rate case consultants.

- What overall rate of return on the original cost rate base results from the operating income agreed to in the Settlement Agreement?

Based on the original cost rate base, an 8.22% overall rate of return results from the operating income agreed to in the Settlement Agreement.

- While recognizing no fair value increment in the capital structure or rate base and using a capital structure comprised of 55.8% equity and 44.2% debt at 5.13%, what cost of equity provides the same operating income as the Settlement Agreement?

This question requires computations that RUCO is unable to make at this time. To answer this question accurately RUCO would need more time to engage its consultants.

Paragraph 7.3 permits the inclusion of third-party storage expenses.

- Would RUCO be opposed to making the required filing 180 days prior instead of 90 days prior to any contract becoming effective?

RUCO suggests the Settlement Agreement remain as is. However, if all the other signatories agree to this modification, RUCO would consider the modification at that time.

Paragraph 9.1 allows APS to file for an increase in rates for environmental equipment installed at Four Corners. The filing date for this could be as late as January 1, 2019, while APS could file its next rate case as early as June 1, 2019, only five months later.

- Why would it not be better, especially from a workload perspective for all involved, for the Commission to eliminate paragraph 9.1 and instead just review these costs in APS's next rate case?

RUCO recognizes this as an option, but suggests the Settlement Agreement remain as is. However, if all the other signatories agree to this modification, RUCO would consider the modification at that time.

In its direct testimony, RUCO was opposed to allowing these costs for Four Corners.

- Why is RUCO now not opposed to these costs?

RUCO has agreed to this provision in exchange for the benefits identified in Mr. Tenney's Settlement testimony at 4-5. As the case with all Settlements, an agreement is a give and take proposition.

Paragraph 9.3 states that parties will work to have the rates from the filing in paragraph 9.1 become effective by January 1, 2019.

- How will that be possible, when paragraph 9.1 states that APS can file its request for such a rate increase on the same date, i.e., no later than January 1, 2019?

The outside filing date is January 1, 2019. The only way it will be possible is if the application is made prior to January 1, 2019

- Paragraph X allows for the deferral of costs related to the Ocotillo Modernization Project ("OMP"). APS would be allowed to request recovery of these costs, plus interest, in its next rate case. Why does the Settlement Agreement not treat the Selective Catalytic Reduction deferred costs (see Section IX) at Four Corners in the same manner as the deferred costs of the OMP?

OMP would be done between rate cases so it is allowed costs plus interest. In the case of Four Corners, APS is going to make a filing to increase rates when they are known.

- In its direct testimony, RUCO was opposed to allowing these costs for the OMP. Why is RUCO now not opposed to these costs?

RUCO has agreed to this provision in exchange for the benefits identified in Mr. Tenney's Settlement testimony at 4-5. As the case with all Settlements, an agreement is a give and take proposition.

Section XI deals with deferred costs related to changes in APS's property tax rate.

- Is this section exactly the same or different than the similar issue contained in APS's last rate case? If different in any way, please explain the difference(s) in detail.

In the last settlement, the deferral of selected years resulted in only a portion of the increase in property taxes being deferred. In this settlement all increases are allowed. RUCO supports the Settlement Agreement which allows for parties to discuss this issue prior to the next rate.

- In its direct testimony, RUCO was opposed to allowing these costs. Why is RUCO now not opposed to these costs?

RUCO has agreed to this provision in exchange for the benefits identified in Mr. Tenney's Settlement testimony at 4-5. As the case with all Settlements, an agreement is a give and take proposition.

Section XII deals with the cost of service study. Please explain the purpose of having Section XII in the Settlement Agreement. The explanation should contain a detailed discussion of the benefits and drawbacks of having the requirements of Section XII to the Settlement Agreement for each of the below customer classes:

- a. Low income residential customers
- b. Typical residential customers

- c. Small commercial customers
- d. Medium size commercial customers
- e. Large commercial customers

APS is better able to answer this question. See Settlement testimony of APS witness Leland Snook at 10.

In Section XIV would RUCO be opposed to adding an additional paragraph as follows:

14.3 APS shall report on and discuss its workforce planning at the Commission's annual Summer Preparedness Workshop, beginning in 2018. Such a requirement shall remain in effect until further notice by the Commission.

RUCO suggests the Settlement Agreement remain as is. However, if all the other signatories agree to this modification, RUCO would consider the modification at that time.

Please explain in detail the purpose of the Self-Build Moratorium contained in Section XV.

The settlement agreement speaks for itself in that it seeks for APS to secure adequate and reasonably-priced long-term resources from the competitive wholesale market to meet these needs.

Section XVI discusses the establishment of a Tax Expense Adjustor Mechanism.

- Does RUCO expect any Federal income tax reform legislation to increase or decrease APS's annual Federal income tax expense?

This provision was included as there is currently much discussion about lowering the Federal tax rate on corporations and RUCO hopes that Federal Income Tax reform will decrease APS's annual Federal tax expense.

For each rate listed in Section XVII, please discuss whether each is a totally new rate or a modification of an existing rate.

For each rate listed in Section XVII, please explain in detail how RUCO expects APS to advise and educate its customers of these rates.

APS would be the best party to address this question and the Company has previously filed an education plan into the docket. That said, there are a few best practices RUCO expects APS to continue to deploy and support:

1. Online bill calculator rate advisor

2. Knowledgeable customer support staff
3. Mobile apps
4. Educational materials
5. Marketing campaigns
6. Targeted digital campaigns
7. Vendor education

Paragraphs 17.5 and 17.6 discuss Rate Schedules R-2 and R-3, respectively. Both R-2 and R-3 are described as "three-part" rates.

- Does "three-part" refer to a basic service charge, a kWh usage charge and a kW demand charge? If yes, please explain in detail how customers will be educated on these two rate schedules, especially regarding the kW demand charge.

Yes, basic service charge, kWh energy charge, and a kW demand charge. It is important to note that customers are not forced onto these three-part rates, selection is entirely optional. Already, APS has over 100,000 residential customers on a three part rate, the highest of any utility in the country. This seems to suggest that whatever APS is doing, is working. That said, moving forward, RUCO fully expects APS to continue to have targeted and actionable education materials and data supplied to both prospective and current three-part rate customers.

In paragraph 17.7, the # (2) phrase seems confusing, possibly a word(s) missing.

In the piece of paragraph a. contained at the top of Page 19 of 32, there seems to be some punctuation missing.

In paragraph 17.8, would RUCO be opposed to having the on-peak periods being 4:00pm to 7:00pm; 3:30pm to 7:30pm; 3:00pm to 7:00pm; 4:00pm to 8:00pm? If yes, please explain in detail RUCO's opposition to each set of hours.

RUCO supports the provisions of the Settlement.

- If the Commission were to mandate one of the above set of hours, which one would RUCO prefer ("none" is not an acceptable answer)?

RUCO is uncomfortable giving an answer to this question. Any answer other than that found in the Settlement Agreement could be construed as not supporting the provisions of the Settlement Agreement. RUCO supports the provisions of the Settlement.

- Please rank the above set of hours from least desirable to most desirable to RUCO.

Same as above.

- In APS's existing time-of-use rate plans, what are the excluded holidays?

The following holidays are Off-Peak: New Year's Day (January 1), Memorial Day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Thanksgiving Day (fourth Thursday in November), and Christmas (December 25). When any holiday listed above falls on a Saturday, the preceding Friday will be recognized as an off-peak period. When any holiday listed above falls on a Sunday, the following Monday will be recognized as an off-peak period. Mountain Standard Time shall be used in the application of this rate schedule.

- How did RUCO consider seasonal time-of-use rates in the Settlement Agreement? Are they reflected in it? Please explain why or why not.

RUCO is unable to discuss the exact consideration given to seasonal TOU rates. However, it should be noted that seasonal TOU rates are reflected in all the TOU rate designs, as they all have different rates seasonal rates. The summer season is the May through October billing cycles and the winter season is the November through April billing cycles.

Please explain in detail how Section XVIII will result in distributed generation customers being treated differently than they would have been treated without this section, thereby having these customers treated as contemplated per the outcome of the Value of Solar docket.

RUCO supports the provisions of the Settlement. RUCO believes that absent this section, distributed generation customers would have been worse off, if treated as contemplated per the outcome of the Value of Solar docket. As RUCO's Direct testimony position laid out, the RCP calculated using a yet to be litigated VOS model, with up-to-date market prices, would be in the 9 cent/kWh range not in the 12 cent/kWh range per the Settlement. Moreover, the Value of Solar docket made it clear that solar customers could be treated separately for rate making purposes. With that said, this settlement provides many options for distributed generation customers.

Paragraph 18.3 sets the export energy rate for year one. Paragraph 18.4 states that this year-one export energy rate was a result of settlement negotiations.

- How and when will the export energy rate for years two, three, four and five be set?

That export rate in Paragraph 18.3 should be considered the starting export rate. It will be adjusted downward to the extent there are less expensive utility scale projects. This is virtually guaranteed. Because of the higher starting export rate coupled with certain large price reductions, RUCO

expects a 10% decrease each year from that starting RCP rate. Once APS enters the next rate case, there will be an adjustment made that is unknown at this time because the 5-Year Avoided Cost, developed as part of the VOS Methodology, has not been implemented. The APS RCP POA is a great resource for additional questions on this topic.

- Does RUCO have any estimates as to what the export energy rates will be for years two, three, four and five? If yes, please provide them.

Year	RCP Value*
1	12.9
2	11.6
3	10.4
4	9.4
5	8.5

This assumes no rate case and are estimates only.

Section XIX delineates the availability of certain rates for APS's customers. Paragraphs 1.5.1 and 26.1 mention a customer education plan, information and outreach.

- Does APS currently have this education/information plan to adequately and properly explain all the APS rate options to its customers?

APS has committed to a robust customer education plan and is currently developing it. APS will also work with stakeholders on its development and RUCO intends to fully participate and help shape the plan.

- If no, why not? If no, would RUCO be opposed to APS creating such a customer education/information plan and submitting such a plan to the Commission for Commission approval, prior to implementing any of the provisions of paragraph 19.1?

The plan is in process; therefore, RUCO fully supports the provisions and timelines specified in the Settlement.

- If APS does have such a plan, would RUCO be opposed to APS submitting such a plan to the Commission for Commission approval, prior to implementing any of the provisions of paragraph 19.1?

RUCO fully supports the provisions and timelines specified in the Settlement.

After May 1, 2018, will new customers be required to choose a time-of-use ("TOU") rate or three-part demand rate ("Demand Rate") and be required to remain on this rate for at least 90 days, i.e., three billing periods? If yes, please explain in detail how this requirement is fair and beneficial to DCW customers?

RUCO firmly supports the terms of the Settlement Agreement and believes that TOU rates are actually more beneficial to customers than flat rates, which can be economically regressive and frankly more expensive for most households. RUCO views this settlement provision as a benefit to new customers because TOU rates align with system/grid needs and customers save money even with just minor adjustments in energy use.

If after May 1, 2018, new customers are required to choose a TOU or Demand Rate and remain on this rate for 90 days, would RUCO be opposed to APS refunding (after the 90-day period) to each such customer the amount of money collected by APS that was in excess of what APS would have collected had the customer been on the typical non-TOU or non-Demand Rate, i.e., basic two-part rate? If yes, please explain in detail why.

RUCO supports the provisions of the Settlement.

Paragraph 23.3 has a phrase stating "At APS's option...".

- With this statement, how can the Commission and APS customers be assured that all customers will be treated equally and fairly by APS?

RUCO is confident that the settlement leads to structures that reinforce equal and fair treatment. The settlement maintains a great deal of customer freedom in RUCO's opinion.

Section XXVI relates to the effective date of new rates from this case. It seems that this Settlement Agreement would result in quite a few new rate options for customers.

- Would RUCO be opposed to having the effective date of new rates in this case being the first day of the month following the month in which the Commission-approved customer education/information plan (see discussion of Section XIX above) is sent to all APS customers?

RUCO fully supports the provisions of the Settlement.

- Would RUCO be opposed to the Commission's requiring APS to send that information to customers prior to the tenth day of the month? If yes, please explain in detail RUCO's opposition and how the Commission not requiring this would be beneficial and fair to APS customers.

RUCO suggests the Settlement Agreement remain as is. However, if all the other signatories agree to this modification, RUCO would consider the modification at that time.

In paragraph 28.4 APS defines moderate and low income customers.

- For 2016, what was the median Arizona household income?

The Arizona Department of Numbers report that the median family income for Arizona was \$61,042 in 2015. Compared to the median U.S. family income, Arizona median family income is \$7,218 lower. Like the median household income numbers, 2016 family income data will be released in September of 2017.

- For 2016, what was the federal poverty level?

The Federal Health and Human Services Department published the following on the Federal poverty level.

	Persons in family/household	Poverty guideline
1		\$11,880
2		16,020
3		20,160
4		24,300
5		28,440
6		32,580
7		36,730
8		40,890

For families/households with more than 8 persons, add \$4,160 for each additional person.

2016 Poverty Guidelines for the 48 Contiguous States and the District of Columbia

<https://www.federalregister.gov/documents/2016/01/25/2016-01450/annual-update-of-the-hhs-poverty-guidelines>

Paragraph 32.1 states that the LFCR opt-out rate option approved in the last decision will be removed. Why was it removed?

Because there was no ratepayer interest in the option so RUCO agreed to its removal.

Please explain why residential customers on a demand rate should be subject to the LFCR charge.

Lost fixed costs from Energy Efficiency, Solar, and Demand Side Management make up the bulk of the LFCR charge. Customers on demand rates benefit from the benefits these programs provide the system, like all other customers. Therefore, they should be subject to the LFCR charge.

Paragraph 32.2 states that for customers on a demand rate, the LFCR charge will be based on the customers' demand. Please provide examples for each of the customers below showing how each of their bills may be affected by this provision:

- a. Low demand customer
- b. Medium demand customer
- c. High demand customer

APS is better able to answer this question.

- In RUCO's direct testimony, RUCO was opposed to any modifications to the LFCR. Why is RUCO now not opposed to these modifications?

RUCO has agreed to this provision in exchange for the benefits identified in Mr. Tenney's Settlement testimony at 4-5. As the case with all Settlements, an agreement is a give and take proposition

- Does RUCO believe that its direct testimony LFCR recommendation was flawed?

No.

Please explain in detail how Commission approval of this Settlement Agreement (especially when compared to all the contrary recommendations in RUCO's direct testimony; in particular, RUCO's agreement to a \$94.624 million net base rate increase as opposed to RUCO's direct testimony recommendation for a \$24.6 million decrease) may be beneficial for each of the customer classes listed below:

- a. Low income residential customers
- b. Typical residential customers

- c. Small commercial customers
- d. Medium size commercial customers
- e. Large commercial customers

RUCO does not represent the Commercial customers and cannot explain the benefits in the context of the commercial customer. RUCO has agreed to this provision as concerns the residential customers in exchange for the benefits identified in Mr. Tenney's Settlement testimony at 4-5. As the case with all Settlements, an agreement is a give and take proposition.

Please explain in detail how Commission approval of this Settlement Agreement (especially when compared to all the contrary recommendations in RUCO's direct testimony; in particular RUCO's agreement to a \$94.624 million net base rate increase as opposed to RUCO's direct testimony recommendation for a \$24.6 million decrease) may be detrimental to each of the customer classes listed below:

- a. Low income residential customers
- b. Typical residential customers
- c. Small commercial customers
- d. Medium size commercial customers
- e. Large commercial customers

RUCO does not represent the Commercial customers and cannot explain the benefits in the context of the commercial customer. RUCO does not see how, under the circumstances of this case, the Settlement could be detrimental to residential ratepayers.

Please explain in detail how the Commission's not approving this Settlement Agreement (especially when compared to all the contrary recommendations in RUCO's direct testimony; in particular, RUCO's agreement to a \$94.624 million net base rate increase as opposed to RUCO's direct testimony recommendation for a \$24.6 million decrease) but instead having this case be fully litigated may be beneficial for each of the customer classes listed below:

- a. Low income residential customers
- b. Typical residential customers
- c. Small commercial customers

- d. Medium size commercial customers
- e. Large commercial customers

With regard to the residential customers, whom RUCO represents, a litigated case could be more beneficial to the residential ratepayers should the Commission approve, for example, RUCO's direct case. But the likelihood of that is small to nil, and not a risk worth taking in RUCO's opinion given the circumstances of this case. The Settlement, on the other hand, is a fair resolution to a very complex case which RUCO believes is a better result for ratepayer than would be the outcome if the case is litigated.

Please explain in detail how the Commission's not approving this Settlement Agreement (especially when compared to all the contrary recommendations in RUCO's direct testimony; in particular, RUCO's agreement to a \$94.624 million net base rate increase as opposed to RUCO's direct testimony recommendation for a \$24.6 million decrease) but instead having this case be fully litigated may be detrimental to each of the customer classes listed below:

- a. Low income residential customers
- b. Typical residential customers
- c. Small commercial customers
- d. Medium size commercial customers
- e. Large commercial customers

See the answer to the last question except consider the scenario where the Commission approves the Company's direct case.

In APS's application for this case, APS requested approval of three-part demand rates that would be mandatory for all customers. It seems that the Settlement Agreement does not contain any such mandatory rates for either existing or new customers (except for the 90-day requirement for new customers). Is this correct?

Yes.

In APS's next rate case, if APS plans to again request mandatory three-part demand rates (if such rates are not approved by the Commission in this case), would RUCO be opposed to having an ordering paragraph in the decision in this case that ordered APS to submit for Commission approval an education plan for such rates, with that plan being submitted at least 360 days prior to the submittal of APS's application for its next rate case? If yes, please explain in detail.

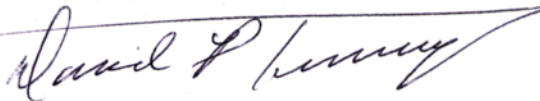
RUCO supports the Settlement. RUCO is and continues to advocate against mandatory demand charges. Any discussion of mandatory demand charges should not be part of this rate case.

Is RUCO completely satisfied with all aspects of Appendix H? If no, please explain in detail.

Yes.

Again, thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "David P. Tenney", with a long horizontal flourish extending to the left.

David P. Tenney
Director

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COPIES of the foregoing filed this 18th
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Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

COPIES of the foregoing emailed/
mailed this 18th day of April, 2017 to:

Janet Wagner
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

LegalDiv@azcc.gov
MScott@azcc.gov
Chains@azcc.gov
WVanCleve@azcc.gov
EAbinah@azcc.gov
TFord@azcc.gov
EVanEpps@azcc.gov
CFitzsimmons@azcc.gov
KChristine@azcc.gov

Consented to Service by Email

Thomas A. Loquvam
Pinnacle West Capital Corporation
400 N. 5th Street, MS 8695
Phoenix, AZ 85004
Thomas.Loquvam@pinnaclewest.com
Thomas.Mumaw@pinnaclewest.com
Melissa.Kreuger@pinnaclewest.com
Amanda.Ho@pinnaclewest.com
Debra.Orr@pinnaclewest.com
prefo@swlaw.com

Consented to Service by Email

Patricia Ferre
P.O. Box 433
Payson, Arizona 85547
pFerreact@mac.com

Consented to Service by Email

Richard Gayer
526 W. Wilshire Drive
Phoenix, Arizona 85003
rgayer@cox.net

Consented to Service by Email

Warren Woodward
55 Ross Circle
Sedona, Arizona 86336
W6345789@yahoo.com

Consented to Service by Email

Anthony Wanger
IO Data Centers, LLC
615 N. 48th St.
Phoenix, Arizona 85008

Patrick Black
Fennemore Craig, PC
2394 E. Camelback Rd, Suite 600
Phoenix, Arizona 85016
Attorneys for Freeport Minerals
Corporation and Arizonans for Electric
Choice and Competition
pblack@fclaw.com
khiggins@energystrat.com

Consented to Service by Email

Greg Eisert
Government Affairs
Sun City Homeowners Association
gregeisert@gmail.com
Steven.puck@cox.net

Consented to Service by Email

Timothy Hogan
Arizona Center for Law in the Public
Interest
202 E. McDowell Rd, Suite 153
Phoenix, Arizona 85004
Attorney for Western Resource
Advocates, Southwest Energy Efficiency
Project, Vote Solar and Arizona School
Boards Association and Arizona
Association of School Business Officials
thogan@aclpi.org
ken.wilson@westernresources.org
schlegelj@aol.com
ezuckerman@swenergy.org
bbaatz@aceee.org
briana@votesolar.org
cosuala@earthjustice.org
dbender@earthjustice.org
cfitzgerrell@earthjustice.org
Consented to Service by Email

Meghan Grabel
Osborn Maledon, P.A.
2929 N. Central Ave., Suite 100
Phoenix, Arizona 85012
Attorney for Arizona Investment Council
mgrabel@omlaw.com
gyaquinto@arizonaaic.org
Consented to Service by Email

Craig A. Marks
Craig A. Marks, PLC
10645 N. Tatum Blvd, Suite 200-676
Phoenix, AZ 85028
Attorney for Arizona Utility Ratepayer
Alliance
Craig.Marks@azbar.org
Pat.Quinn47474@gmail.com
Consented to Service by Email

Al Gervenack
Property Owners & Residents Assoc.
13815 Camino del Sol
Sun City West, AZ 85372
Al.gervenack@porascw.org
Rob.robbs@porascw.org
Bob.miller@porascw.org
Consented to Service by Email

Tom Harris
Arizona Solar Energy Industries Assoc.
2122 W. Lone Cactus Dr., Suite 2
Phoenix, AZ 85027
Tom.Harris@AriSEIA.org
Consented to Service by Email

Cynthia Zwick
Arizona Community Action Assoc.
2700 N. 3rd St., Suite 3040
Phoenix, AZ 85004
czwick@azcaa.org
khengehold@azcaa.org
Consented to Service by Email

Jay Moyes
Moyes Sellers & Hendricks Ltd
1850 N. Central Ave., Suite 1100
Phoenix, AZ 85012
Attorneys for Electrical District Number
Eight and McMullen Valley Water
Conservation & Drainage District
JasonMoyes@law-msh.com
jimoyes@law-msh.com
jim@harcuvar.com
Consented to Service by Email

Kurt Boehm
Boehm Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, OH 45202
Attorneys for the Kroger Co.

John William Moore, Jr.
7321 N. 16th St.
Phoenix, AZ 85020
Attorney for the Kroger Co.

Giancarlo Estrada
Kamper Estrada, LLP
3030 N. 3rd St., Suite 770
Phoenix, AZ 85012
Attorneys for Solar Energy Industries
Assoc.

gestrada@lawphx.com
kfox@kfwlaw.com
kcrandall@eq-research.com

Consented to Service Michael Patten

Michael Patten
Snell & Wilmer LLP
One Arizona Center
400 E. Van Buren St.
Phoenix, AZ 85004
Attorneys for Tucson Electric Power Co.

mpatten@swlaw.com
jhoward@swlaw.com
docket@swlaw.com
Bcarroll@tep.com

Consented to Service by Email

Charles Wesselhoft
Pima County Attorney's Office
32 N. Stone Ave., Suite 2100
Tucson, AZ 85701

Charles.Wesselhoft@pcao.pima.gov

Consented to Service by Email

Court Rich
Rose Law Group PC
7144 E. Stetson Dr., Suite 300
Scottsdale, AZ 85251
Attorneys for Energy Freedom Coalition
of America

crich@roselawgroup.com
hslaughter@roselawgroup.com
cledford@mcdonaldcarano.com

Consented to Service by Email

Greg Patterson
Munger Chadwick
916 W. Adams, Suite 3
Phoenix, AZ 85007
Attorneys for Arizona Competitive
Power Alliance

Scott Wakefield
Hienton Curry, PLLC
5045 N. 12th St., Suite 110
Phoenix, AZ 85014
Attorneys for Wal-Mart Stores, Inc.

swakefield@hclawgroup.com
mlougee@hclawgroup.com
Stephen.chriss@wal-mart.com
Greg.tillman@wal-mart.com
Chris.hendrix@wal-mart.com

Consented to Service by Email

Nicholas Enoch
Lubin & Enoch, PC
349 N. 4th Ave.
Phoenix, AZ 85003
Attorneys for Local Unions 387 and 769
of IBEW, AFL-CIO

Albert Acken
Ryley Carlock & Applewhite
One N. Central Ave., Suite 1200
Phoenix, AZ 85004
Attorneys for Electrical District Number
Six, Pinal County, Arizona; Electrical
District Number Seven of the County of
Maricopa, State of Arizona; Aguila
Irrigation District; Tonopah Irrigation
District; Harquahala Valley Power
District; and Maricopa County Municipal
Water Conservation District Number
One

aacken@rcalaw.com
ssweeney@rcalaw.com
slofland@rcalaw.com
jjw@krsaline.com

Consented to Service by Email

Ann-Marie Anderson
Wright Welker & Pauole, PLC
10429 S. 51st St., Suite 285
Phoenix, AZ 85044
Attorneys for AARP
aanderson@wwpfirm.com
sjennings@aarp.org
aalen@wwpfirm.com
john@johncoffman.net
Consented to Service by Email

Thomas Jernigan
Federal Executive Agencies
U.S. Air Force Utility Law Field Support
Center
139 Barnes Dr., Suite 1
Tyndall Air Force Base, FL 32403
Attorneys for Federal Executive
Agencies
Thomas.jernigan.3@us.af.mil
Ebony.payton.ctr@us.af.mil
Andrew.unsicker@us.af.mil
Lanny.zieman.1@us.af.mil
Natalie.cepak.2@us.af.mil

Robert Pickels, Jr.
Sedona City Attorney's Office
102 Roadrunner Dr.
Sedona, AZ 86336
Attorneys for City of Sedona
rpickels@sedonaaz.gov
Consented to Service by Email

Garry D. Hays
Law Offices of Garry D. Hays, PC
2198 E. Camelback Rd, Suite 305
Phoenix, AZ 85016
Attorney for the Arizona Solar
Deployment Alliance
ghays@lawgdh.com
Consented to Service by Email

Thomas Stewart
Granite Creek Power & Gas, LLC
Granite Creek Farms, LLC
5316 E. Voltaire Ave.
Scottsdale, AZ 85254-3643
tom@gcfaz.com
Consented to Service by Email

Denis Fitzgibbons
Fitzgibbons Law Offices, PLC
115 E. Cottonwood Lane, Suite 150
P.O. Box 11208
Casa Grande, AZ 85130
Attorney for City of Coolidge
denis@fitzgibbonslaw.com
Consented to Service by Email

Timothy Sabo
Snell & Wilmer, LLP
One Arizona Center
400 E. Van Buren St.
Phoenix, AZ 85004
Attorneys for REP America d/b/a
ConservAmerica
tsabo@swlaw.com
jhoward@swlaw.com
docket@swlaw.com
walker@conservamerica.org
Consented to Service by Email

By Cheryl Fraulob
Cheryl Fraulob